

ARIZONA TAX NEWS



Jane Dee Hull, Governor

Mark W Killian, Director

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ARIZONA DEPARTMENT OF REVENUE MISSION STATEMENT

The purpose of the Arizona Department of Revenue is to promote voluntary compliance with all tax obligations through fair administration, firm enforcement, and prompt and courteous service in a manner that justifies the highest degree of public confidence in our efficiency and integrity.

CONTRACT AWARDED

Mark Killian, Director of the Arizona Department of Revenue, announced on August 20 that the Accenture Co. was awarded the contract for the BR/ITS (Business Reengineering/Integrated Tax System) reengineering project. This announcement culminates a 3-year process that brought a number of potential vendors to the Department for evaluation of current systems and an analysis of technology needs that will allow DOR to deliver world class service. The contract specifies that Accenture will be paid out of the increases in revenue streams that result from the improved processes and technology

that the reengineering will bring. Accenture will report to the Department on September 3rd and will start the project with overview presentations to the management and staff of the Department starting September 5. Implementation of the winning proposal will begin immediately thereafter. Mr. Killian indicated in his communication to Department employees that the Transaction Privilege Tax would be the first major system to be changed. The project is expected to take 4½ years and will effect every area of the agency.

2D BAR CODE & TAXES...

Do you have clients that refuse to let you electronically file their tax returns? Consider using 2D barcode on your client's AZ Form 140 or Form 140A paper returns. 2D barcode is a highly accurate method of "capturing" the alpha and numeric data from an electronic document, in our case, an individual tax return. When the tax preparer uses approved vendor software, the data is captured from the tax return and is modified at the tax preparers printer into a "picture" which is printed on the paper return. Once the 2D barcode paper

return is received at the Department of Revenue, the Data Entry Center uses a handle-held wand (like those used in many of the department store), to read the "picture". The data is then transferred into the department's computer system (See Figure 1 on page 9).

Advantages of 2D barcode tax return are:

- Increased accuracy – A 2D barcode tax return is

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*** REMINDER ***

FOR NON-EFT TPT FILERS

To avoid a delinquency, postmark your August 2002 TPT return no later than September 25, 2002 or deliver to DOR no later than September 27, 2002.

JUNE SUMMARY OF GENERAL FUND REVENUES

	June 2002	Fiscal Year Total
Individual Income Tax		
Net Collections	\$119,657,352	\$1,664,772,154
Percent Change *	(34.1%)	(12.6%)
Corporate Income Tax		
Net Collections	\$62,319,659	\$346,280,396
Percent Change *	(7.5%)	(36.0%)
Transaction Privilege, Severance & Use Taxes		
Net Collections	\$249,734,711	\$2,972,274,262
Percent Change *	(1.0%)	(0.4%)
Total Big Three Tax Types		
Net Collections	\$431,711,722	\$4,983,326,812
Percent Change *	(13.9%)	(8.2%)

() Decrease from same month last year.

* Percent change from same month last year.

Individual Income Tax Individual Income Tax Receipts

	June 2002	June 2001	%
Gross Collections	\$65,416,280	\$80,393,624	(18.6)
Withholding	172,012,537	194,756,880	(11.7)
Refunds	(82,615,084)	(60,626,514)	36.3
Urban Rev Sharing	(35,156,381)	(33,037,720)	6.4
Net Collections	\$119,657,352	\$181,486,270	(34.1)
Fiscal Year Total (01/02)		(00/01)	%
Gross Collections	\$689,703,076	\$848,405,637	(18.7)
Withholding	2,306,965,207	2,360,635,399	(2.3)
Refunds	(910,019,556)	(908,289,047)	0.2
Urban Rev Sharing	(421,876,573)	(396,452,640)	6.4
Net Collections	\$1,664,772,154	\$1,904,299,349	(12.6)

Included in the refund amounts above are refunds relating to the alternative fuel vehicle income tax credit. In June \$609,447 in alternative fuel vehicle credits were processed. After offsetting \$92,895 in tax liability, refunds for this credit totaled \$516,552. This amount does not include withholding and estimated payments returned to taxpayers because their liability was covered by the alternative fuel vehicle credit. Additional refunds were paid out of corporate income tax.

TAX CALENDAR

SEPTEMBER 2002

Due Date		For Period Ending
2	State Holiday-Labor Day	Closed
16	Income Tax Returns:	5/31/02
	Form 120: Corporation	
	Form 140: Individual	
	Form 141: Fiduciary	
	Form 165: Partnership	
16	Form 120: Corporation with Automatic Extension	11/30/01
16	Form 120S: S Corporation	6/30/02
16	Form 99: Exempt Organization Annual Information Return	
	Form 99T: Exempt Organization	4/30/02
16	Form 120ES: Estimated Tax Payment, Corporation	
	First Installment	5/31/03
	Second Installment	3/31/03
	Third Installment	12/31/02
	Fourth Installment	9/30/02
20	Form TPT-1: Transaction Privilege Tax: August Monthly Filers	8/31/02
20	Bingo: Financial Reports	8/31/02
20	Luxury Tax: Various Forms	8/31/02
25	EFT Form TPT-1 and Payment: Transaction Privilege Tax: August Monthly Filers	8/31/02

Withholding Information:

If the average amount of Arizona income taxes withheld in the preceding four calendar quarters exceeds \$1,500 the employer must make its Arizona withholding payments to the Department of Revenue at the same time as the employer is required to make federal withholding deposits. If the average amount of Arizona income taxes withheld in the preceding four calendar quarters does not exceed \$1,500 the employer must make its Arizona withholding payments to the department on a quarterly basis.

The Arizona Tax News is a monthly publication of the Arizona Department of Revenue. Information contained herein is of a general nature and is not designed to address complex issues in detail. Taxpayers requiring information concerning a specific tax matter should contact the appropriate office. This newsletter is available in alternative formats upon request by calling the telephone number shown below. Subscription information may be obtained from:
Diane Sosinski or Tony Manzo at (602) 542-4672.

ALTERNATIVE FUEL VEHICLE REPORT FOR JULY, 2002

For the period of July 1 through July 31, 2002, the department received 29 individual income tax returns with claims for alternative fuel related credits totaling \$0.4 million. A total of 5,525 individual income tax returns with claims have been received from January 2001 through July 2002, totaling \$102.2 million in credit. The department also received 1 corporate income tax returns in July with claims for alternative fuel related credits totaling \$9,000. A total of 191 corporate income tax returns with claims have been received from January 2001 through July 2002, totaling \$18.1 million in credit.

- The dollar amount of verified credits claimed in the preceding calendar month not used to offset income taxes under title 43, Arizona Revised Statutes.

For the period July 1 through July 31, 2002, the department issued 63 individual income tax refunds for alternative fuel related credits. There was \$923,636 in AFV credits on these returns. After offsetting \$144,929 in liability, \$778,707 was refunded. The department issued 2 corporate refunds for alternative fuel related credits. There was \$46,258 in AFV credit on these returns. After offsetting \$38,208 in liability, \$8,050 was refunded.

The total for this refundable credit since the inception of the program (both corporate and individual) is \$14,380,740 in liability offset and \$100,424,852 in refunds sent out, for a total cost of \$114,805,592. (Liability offset means that the credit is first used to reduce any tax liability on the tax return to \$0.)

Combining the corporate and individual income tax return amounts results in \$786,757 that should be transferred from

the Budget Stabilization Fund into the General Fund for July 2002. In fiscal year 01, \$66,360,441 was paid from the Budget Stabilization Fund into the General Fund; for fiscal year 02, \$33,277,654 was paid from the Budget Stabilization Fund into the General Fund. In this fiscal year, \$786,757 is the total to be paid from the Budget Stabilization Fund, putting the overall total coming from the Budget Stabilization Fund for alternative fuel vehicle credits at \$100,424,852.

- The cumulative dollar amount of the credits claimed in all taxable years, beginning from and after December 31, 2000.

The cumulative dollar amount of credits (individual and corporate) claimed is \$120.2 million.

- Any estimated amounts remaining to be claimed as credits in each fiscal year. Through July 2002, 5,716 (corporate and individual) claims have been received. Those claims reviewed include 5,510 claims for 6,119 vehicles, claims for 30 refueling stations and claims for 692 refueling apparatuses. (Claims that have not yet been reviewed are not included in this count.) While most returns for 2000 filers have been received, there may be additional claims made through late filers and amended returns. Also, there are taxpayers who are first qualifying for a credit on their 2001 tax returns. At this time, the department has no independent means of estimating the amount yet to be claimed.

If you have any questions, please contact: Anthony Forschino at (602) 542-4672.

Very truly yours,
Mark W. Killian, Director

LEGISLATIVE SUMMARY 2002

The 2002 Legislative Summary provides a brief summary of the tax-related bills that were enacted by the Arizona State Legislature and were approved by the Governor.

Over the next few months the TaxNews will feature Legislative Summaries by tax type.

This month: TPT and Property Tax. The general effective date is August 22, 2002

TRANSACTION PRIVILEGE TAX

HB 2242 (NOW: prime contracting; lawn maintenance; exemption) – Chapter 307

HB 2242 clarifies lawn maintenance services are not prime contracting activities.

The bill clarifies that the gross proceeds of income received from lawn maintenance services are not subject to the prime contracting classification if the contract does not include landscaping activities. It defines lawn maintenance service to include lawn mowing, weeding, repairing sprinkler heads or drip irrigation heads, replacing seasonal flowers and refreshing gravel.

The bill further clarifies that the gross proceeds of income received from landscaping activities are subject to the prime contracting classification and defines landscaping activities. These activities include repairing sprinkler or watering systems and installing gravel or boulders, along with planting and removing trees.

The bill is effective for taxable periods beginning from and after August 31, 2002.

HB 2300 (direct use tax payments) - Chapter 338

HB 2300 allows businesses that buy at least \$500,000 worth of tangible personal property annually to pay their use taxes directly to the Department of Revenue. The department will administer the

program using application forms, use tax direct payment permits and use tax direct payment certificates.

The bill is effective and applies to taxable periods beginning from and after December 31, 2002.

PROPERTY TAX

HB 2063 (NOW: electric utilities; valuation) - Chapter 234

HB 2063 freezes the property values for existing electric generation properties for tax year 2003 and clarifies the allocation method to distribute the values to taxing jurisdictions.

In 2000, the Legislature passed HB 2324 that provided a different methodology for valuing electrical generation facilities. As a transition to the new values, the 2000 legislation provided that voluntary contributions (in lieu of property taxes) would be paid by generation plants to any county that had a drop of more than 10% of their assessed valuation as a result of the new values. These voluntary contributions are required for tax years 2001 through 2004. For 2001 and 2002, the voluntary contributions are based on actual value lost in those years. The voluntary contributions for 2003 and 2004 are made based on tax year 2002 values. In 2001 Apache County was the only county that received “backfill” voluntary contributions. This bill modifies voluntary contributions for 2003 and 2004 so that they are also based on value lost in those years. The 2004 contribution is only to be made if the value is less than 90% of the 2000 value.

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The bill also requires existing electrical generation plants or units valued by DOR in tax year 2002 to be valued at the final tax year 2002 full cash value for tax year 2003. It specifies that plants placed in service between December 31, 2000 and December 31, 2001 shall be valued pursuant to the statutory valuation procedure for electric generation properties. In addition HB 2063 provides a method for allocation among the various taxing jurisdictions of the generation, transmission and distribution properties of the electric utilities. It specifies that generation values will be combined with distribution values for purposes of allocation.

HB 2063 also directs all companies owning electric generation property to provide, under oath by July 1, 2002, the information required by the bill to the Department of Revenue. Assesses a fine of \$1000 per day for noncompliance and allows the director to extend the deadline at the director's discretion and to abate the penalty for reasonable cause.

The bill is effective retroactively to from and after December 31, 2001.

HB 2596 (property tax; appraisal and appeal) - Chapter 278

HB 2596 requires county assessors to make necessary changes in the tax roll to reflect decisions on appeals. For properties that have the valuation appealed, the county assessor can only change the appealed value in the subsequent year if there is new construction, a structural change or change of use on the property.

The bill is effective on the general effective date.

HCR 2038 (senior property valuation freeze) – Secretary of State

HCR 2038 clarifies the administration of the property valuation protection option for seniors 65 years or older by creating uniformity among counties in the program's administration.

During the 2000 legislative session, the legislature passed HCR 2028 that established the program. It was approved by the voters at the 2000 general election. One of the criteria used to determine eligibility was income level. However the section of the Social Security Act that prescribes the supplemental security income benefit income level to be used actually contains two levels – one for individuals and one for two or more persons. Some counties used the supplemental security benefit income level for two or more persons. HCR 2038 provides that income level is the rate for an individual.

In addition, the resolution requires that applications for the program be made to the county assessor on or before September 1. The assessor is to notify the applicant of acceptance or denial on or before December 1. If the application is filed after September 1, the assessor is to process it for the subsequent year.

The resolution will become effective if approved by the voters at the November 2002 general election and on proclamation of the Governor.

SB 1224 (tax valuations; timeshare property) - Chapter 201

Prior to this bill there was not a statutory method of valuation of timeshare properties in Arizona. SB 1224 creates a statutory valuation methodology for timeshare properties. It provides that county assessors classify timeshare properties that are not used for commercial, industrial or transient

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occupancy purposes as Class 4 property (Class 4 has a 10% assessment ratio). The valuations are based on the original sales price, comparable sales prices or resale prices. The prescribed valuation methodology applies to both new and existing properties and allows for deductions for nonrealty components.

In addition the managing entities of the timeshare properties are required to file a use form with the county assessors once a year as a means of establishing the values of the properties. The county assessors are to mail the timeshare use form to the



managing entities on or before August 1 of each year. The forms, prescribed by the department, are to be filed by the managing entities with the county assessors on or before September 30 of each year.

The bill is effective on the general effective date.

SB 1290 (community health centers; taxation; exemption.) - Chapter 174
SB 1290 exempts qualifying community health centers operating in medically underserved areas, from property taxation if they are used or held for profit. In addition to the centers, appurtenant land and their fixtures and equipment are also exempt.

The bill is effective on the general effective date.

ARIZONA TAX RELIEF FOR VICTIMS OF RODEO-CHEDISKI FIRES JULY 25, 2002 UPDATE

Governor Jane Dee Hull announced emergency tax relief for victims of the Rodeo-Chediski fires on June 25, 2002. Because Arizona income tax filing laws are tightly integrated with equivalent federal laws, part of the Department's relief was tied to the relief that the Internal Revenue Service was expected to grant. The Department has subsequently granted additional relief and the Internal Revenue Service has announced its relief

for Arizona tax obligations which pursuant to both Department actions has been incorporated into the Department's relief provisions. A copy of the IRS News Release and a summary of all of the relief for Arizona tax filings and payments may be found at www.state.az.revenue.us

ARIZONA INDIVIDUAL INCOME TAX RULING

ITR 02-3

ISSUE:

How should joint estimated tax payments be allocated when the spouses subsequently file separate returns?

APPLICABLE LAW:

Arizona Revised Statutes (A.R.S.) § 25-211 provides that all property acquired by either husband or wife during marriage is community property, except that which is acquired by gift or inheritance.

A.R.S. § 43-581 requires certain individuals to make estimated income tax payments and allows voluntary payments by individuals not required to make mandatory payments.

Internal Revenue Service (IRS) Treasury Regulation (Treas. Reg.) § 1.6015(b)-1(b) provides for allocation of joint estimated tax payments between spouses that subsequently file separate returns.

IRS Letter Ruling 200011047 provides that the IRS shall allocate joint estimated tax payments between spouses in accordance with the formula set out in Treas. Reg. § 1.6015(b)-1(b) when the spouses who have made joint estimated tax payments subsequently file separate returns and cannot agree on how to divide the payments.

DISCUSSION:

For federal estimated tax payment purposes, former Internal Revenue Code § 6015(c) permitted the division of estimated tax payments by spouses who had filed a joint estimated tax declaration but then chose not to file joint returns.

Treas. Reg. § 1.6015(b)-1(b) sets forth rules for dividing the joint estimated tax payments. Under Treas. Reg. § 1.6015(b)-1(b), joint estimated tax payments may be treated as payments on account of the tax liability of either the husband or wife for

the taxable year, or may be divided between them in such manner as they agree. Therefore, if the spouses agree to an allocation of the payments, as evidenced by their claiming the payments on their respective separate tax returns, the IRS will accept that allocation. However, if the spouses do not agree to an allocation of the payments, IRS Letter Ruling 200011047 provides that the IRS will allocate the payments in proportion to their separate tax in accordance with the formula provided in Treas. Reg. § 1.6015(b)-1(b), even though this may ignore local law. Under this regulation, the amount allocated to each spouse is determined using the following formula:

Tax imposed on husband's OR wife's return divided by total tax imposed on both returns multiplied by the estimated payment.

For example: H and W made joint estimated payments of \$19,500 for the taxable year. The amount of tax shown on H's return is \$12,000. The amount of tax shown on W's return is \$8,000. Based on the foregoing formula, H would be allowed estimated payments of \$11,700 ($\$12,000 / \$20,000 \times \$19,500$) and W would be allowed estimated payments of \$7,800 ($\$8,000 / \$20,000 \times \$19,500$).

For Arizona income tax purposes, A.R.S. § 43-581(C) requires the department to prescribe rules for payments of estimated tax that provide for estimated payments in a manner similar to the manner prescribed in the Internal Revenue Code. Therefore, when spouses are unable to agree on separate allocation for estimated tax payments that were made jointly, Arizona will apply the formula prescribed in Treas.

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ARIZONA CORPORATE TAX RULING CTR 02-2

Issue:

Should gain on an installment sale be apportioned to Arizona on the basis of the apportionment ratio for year of the sale or the year in which the income is reported?

Applicable Law:

Arizona Revised Statutes (A.R.S.) §§ 43-102(A)(2) and 43-1101(1) provide that Arizona gross income of a corporation is its federal taxable income for the taxable year. A.R.S. § 43-1139 provides that all business income of a taxpayer shall be apportioned to this state by an apportionment ratio comprised of property, payroll, and sales factors.

A.R.S. § 43-1148 provides for alternate reporting methods if the standard allocation and apportionment provisions do not fairly represent the taxpayer's activity in Arizona.

Discussion:

Arizona has adopted the current year's federal taxable income as the starting point for computing Arizona taxable income. After the statutory additions and subtractions, business income is apportioned based on the current year's apportionment factors. Installment gains reported in the current year are apportioned based on the current year's apportionment ratio. The sales factor of the apportionment ratio includes only that portion of the installment sale that is reportable in the

current year's taxable income. For example: if only twenty percent of the gain is included in taxable income each year, including the year of sale, only twenty percent of the gross proceeds would be included in the sales factor for that year. The gain on installment sales generally results from the accumulation of value over a number of years and the recapture of prior years' depreciation. The apportionment ratio for the year of sale would generally not apportion the gain more accurately than the ratio from the year the income is reported or the ratio from any other year in which the asset was held. A.R.S. § 43-1148 would only be used if the standard apportionment method does not fairly represent the taxpayer's activity in Arizona because of the particular circumstances of the sale.

Ruling:

Arizona statutes require business income, including gain on installment sales, to be apportioned by the apportionment ratio of the year in which the income is reported. Only when that apportionment of the gain does not fairly represent the taxpayer's activity in Arizona will another method of apportionment be used as provided in A.R.S. § 43-1148.

Mark W. Killian, Director
Signed: July 15, 2002

ITR 02-3 (Continued from page 7)

Reg. § 1.6015(b)-1(b).

Ruling:

When spouses make estimated tax payments jointly and later file separate income tax returns, the spouses may allocate the estimated tax payments between their returns in whatever manner they agree by claiming the payments on their respective returns.

When spouses who made joint estimated

tax payments and later file separate income tax returns do not agree on the allocation, the following formula will be used to determine the amount of estimated tax allocated to each spouse without regard to community property: *Tax imposed on husband's OR wife's return divided by total tax imposed on both returns multiplied by the estimated payment.*

Mark W. Killian, Director
Signed: July 15, 2002

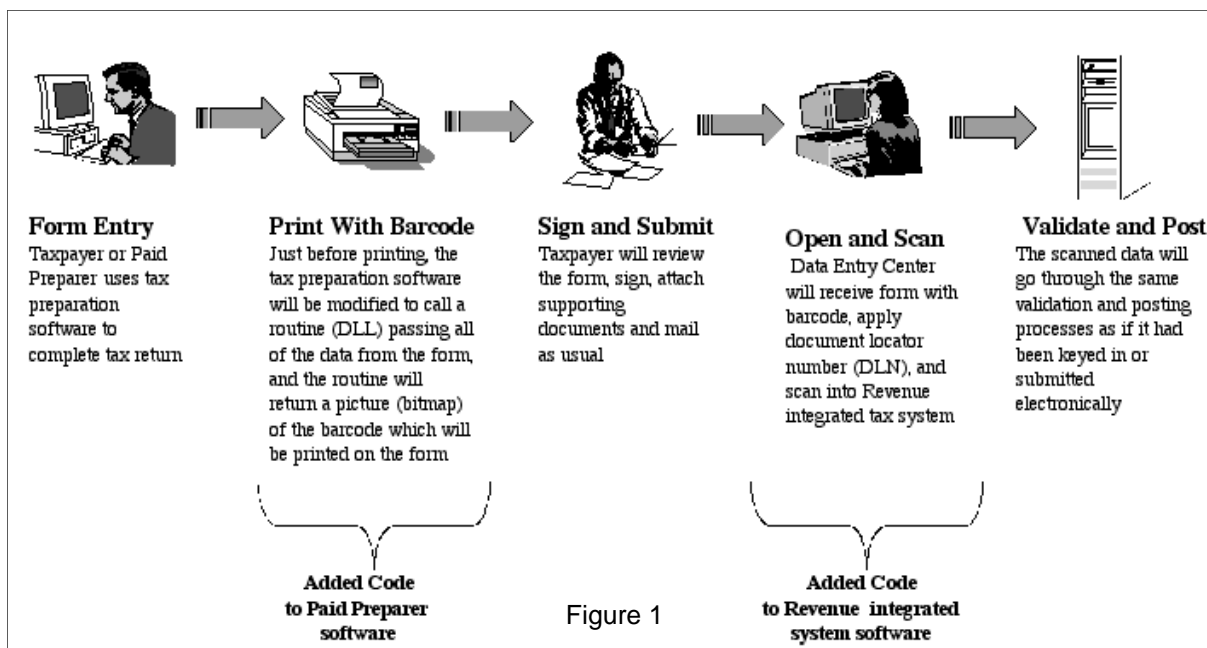


Figure 1

2D Bar Code & Taxes (Continued from page 1)

- extremely accurate with a less than 1% error rate.
- Faster processing of the returns - A 2D barcode batch (up to 99 documents) takes 11 minutes to process in Data Entry while the same size batch *without* 2D barcode requires 1.5 hours in data entry.
- Reduced keystrokes and keystroke errors – A 2D barcode document is “wanded” rather than “keyed” into the DOR system making it a streamlined process with little or no keying errors.
- Provides an alternative to e-File – A 2D barcode tax return provides the advantages of an e-File return in a paper format. And, your client receives the same level of service as an electronically filed return.
- Faster Refunds – Beginning with the 2002 tax return, taxpayers who submit a 2D barcode tax return and are expecting a refund may elect to have their refund directly deposit into their checking or savings account.

- Security – Only the Arizona Department of Revenue can “read” the 2D barcode tax return as it is unique to the department’s tax forms and programming.

To use 2D Barcode on your clients’ Arizona Form 140 and 140A contact your software provider for details.

To give you an idea of how effective the 2D Bar Code “pictured” below is, a 3” x 1” two dimensional bar code which contains the entire Gettysburg Address.



ARIZONA TRANSACTION PRIVILEGE TAX RULING

TPR 02-3

ISSUE:

How does the department treat the following activities under Arizona's transaction privilege tax:

1. The rental of space by operators or managers of swap meets.
2. Entry fees charged by operators or managers of swap meets.
3. The sale of items at swap meets.

APPLICABLE LAW:

Arizona Revised Statutes (A.R.S.) § 42-5001(1) defines "business" as, "all activities or acts, personal or corporate, engaged in or caused to be engaged in with the object of gain, benefit or advantage, either directly or indirectly, but not casual activities or sales."

A.R.S. § 42-5010(A)(4) provides that the tax rate is zero per cent of the tax base as computed for the business of every person engaging or continuing in this state in the commercial lease classification described in section 42-5069.

A.R.S. § 42-5061, *Retail classification*, imposes the transaction privilege tax on the business of selling tangible personal property at retail. A.R.S. § 42-5061(V)(3) defines "selling at retail" as a sale for any purpose other than for resale. Therefore, sales for resale are not taxable. The tax base for the retail classification is the gross proceeds of sales or gross income derived from the business. All retail sales are subject to tax unless specifically exempted by statute.

A.R.S. § 42-5069 contains the commercial lease classification. The statute states: The commercial lease classification is comprised of the business of leasing for a consideration the use or occupancy of real

property.

A person who, as a lessor, leases or rents for a consideration under one or more leases or rental agreements the use or occupancy of real property that is used by the lessee for commercial purposes is deemed to be engaged in business and subject to the tax imposed by article 1 of this chapter, but this subsection does not include leases or rentals of real property used for residential or agricultural purposes.

A.R.S. § 42-5073 contains the amusement classification which states: The amusement classification is comprised of the business of operating or conducting theaters, movies, operas, shows of any type or nature, exhibitions, concerts, carnivals, circuses, amusement parks, menageries, fairs, races, contests, games, billiard or pool parlors, bowling alleys, public dances, dance halls, boxing and wrestling matches, skating rinks, tennis courts, except as provided in subsection B of this section, video games, pinball machines, sports events or any other business charging admission or user fees for exhibition, amusement or entertainment, including the operation or sponsorship of events by a tourism and sports authority under title 5, chapter 8. For purposes of this section, admission or user fees include, but are not limited to, any revenues derived from any form of contractual agreement for rights to or use of premium or special seating facilities or arrangements.

Arizona Administrative Code (A.A.C.) R15-5-2001 defines "casual sale" to mean an occasional transaction of an isolated nature made by a person who is not engaged in the business of selling, within

(Continued on page 11)

or without the state, the same type or character of property as that which was sold.

DISCUSSION:

This ruling restates the department's position, as previously provided in Guideline G 91-10, regarding the treatment of certain activities conducted at swap meets.

Arizona's transaction privilege tax differs from the sales tax imposed by most states. Transaction privilege tax is a tax imposed on the privilege of conducting business in the State of Arizona. This tax is levied on the vendor, not the purchaser. The vendor may pass the burden of the tax on to the purchaser. However, the vendor is ultimately liable to Arizona for the tax. The Arizona transaction privilege tax is imposed under 17 separate business classifications, including retail sales of tangible personal property and operating an amusement activity.

Managers or Operators of Swap Meets

There are two main issues regarding income received by managers or operators of swap meets. The issues involve income received from the rental of space and income received from entry fees charged by operators or managers of swap meets. Under A.R.S. § 42-5069 the gross income from rentals of space to participants offering items for sale at swap meets is taxable as commercial property leasing. Under A.R.S. § 42-5010(A)(4), however, the tax rate for the commercial leasing classification is currently zero. The gross income from rentals of space may, however, be subject to any applicable county excise tax.

Under A.R.S. § 42-5073 income derived from entry or admission fees charged to consumers is subject to transaction privilege

tax in addition to any applicable county excise tax.

Persons Participating in Swap Meets to Sell

Persons participating in swap meets on an occasional basis to sell their household goods or other items originally purchased for their own use are engaged in casual sales. Under A.R.S. § 42-5001, casual sales are not considered "business" and the payment of tax is not required.

Those persons participating in swap meets who sell items on a regular basis or who participate in swap meets to sell an inventory or to sell items purchased for resale are considered to be in "business," as defined under A.R.S. § 42-5001 and must pay state transaction privilege tax in addition to any applicable county excise tax.

Ruling:

The gross income from rentals of space to participants offering items for sale at a swap meet is taxable; however, the current applicable state tax rate is zero. County taxes, however, may be applicable. Income derived from entry or admission fees charged to consumers at a swap meet is subject to state transaction privilege tax in addition to any applicable county excise tax.

Persons making casual sales at swap meets are not required to be licensed or to pay tax. Those persons participating in swap meets who sell items on a regular basis or who participate in swap meets to sell an inventory or to sell items purchased for resale are considered to be in "business," and are subject to the state transaction privilege tax in addition to any applicable county excise tax.

Mark W. Killian, Director
Signed July 16, 2002



Arizona Tax Talk 2002

The 2002 Arizona Tax Talk will be on the following dates:

December 3 and 4 Sheraton Phoenix Airport

December 10 and 11 Tucson Convention Center

December 17 and 18 Glendale Civic Center

More information will be available soon. Please call at (602) 542-3062.
If you are hearing impaired, please call TDD: in Maricopa County, (602) 542-4021, or toll free, statewide 1-800-863-0655.

